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CALIFORNIA FARMS: TO BUY OR NOT TO BUY

R. L. ADAMS[1]

INTRODUCTION

URBAN BUSINESS and professional people, seeking to safeguard their future incomes and well-being, often consider investing their money, and perhaps their labor, in farms and farming activities. Their requests for information are numerous when fears of inflation are to the front or when prices of agricultural commodities mount relatively high.

Most of the questions indicate a lack of knowledge concerning farm business or farm life. This circular will discuss certain phases of California agriculture in the hope of helping prospective investors. Farming is complex: it demands full information on crop or livestock techniques, ability to market products advantageously, economy of operation, and skill in choosing and directing hired workers (if any). The idea that "anybody can farm" leads to grief. Farming calls for knowledge along more separate lines than most businesses. Successful farm operators have climbed many rungs of the agricultural ladder, progressing from an extended apprenticeship to a broad view of innumerable details.

This publication is intended mainly for the prospective operator whose land must provide for family expenses, farm expenses, payments on any mortgage or borrowings, and maintenance of the farm's capital structure. The situation is somewhat different for those who desire country homes, places for week-end relaxation, part-time farms, or subsistence farms; or who can tap income other than farm earnings to buy land, implements, and equipment, and to meet operating requirements. The safe acquiring and operation of commercial farms demand attention to primary producing value, with an earning power sufficient to meet all needs of the family and the farm, whereas country places or part-time farms are sought primarily as homes and as producers of family foods.

WHEN IS A GOOD TIME TO BUY A FARM?

Usually the best time to buy a farm is when land is relatively low-priced but when there is likely to be an immediate rise in the market value of agricultural products. Conditions are less favorable when land prices have already risen because of higher prices for the products, or when farm earning power is in a prolonged trough of depression.

[1] Professor of Farm Management, Agricultural Economist in the Experiment Station, and Agricultural Economist on the Giannini Foundation.

Ordinarily the price of a farm purchased for operation must be low enough to permit the operator to survive under various cycles of prices and costs. A farm desired as a continuing investment must likewise be bought at a favorable price. If there is to be eventual resale at a profit, then the requirements do not differ from those of any other investment—city realty, stocks, bonds, stored commodities. In short, a good time to buy a farm for any purpose is when the buyer knows just what he is doing.

When real-estate prices are again dropping, and especially if the decline is rapid, there arises a chance to make money by purchasing a farm as cheaply as possible and then holding it for a rise. Since, however, a falling market indicates lowered farm earning power, one should carefully consider whether one's financial obligations can be met with a reduced net income. As long as its earnings are insufficient, any farm will remain a liability.

Buying for operation, rather than for investment, involves the same problem. In either event, one should seek a purchase price and terms that will weather the poor years.

FLUCTUATIONS IN FARM REAL-ESTATE PRICES, MORTGAGE DEBT, AND FORECLOSURES

Prices, sometimes called "values," of farm real estate seldom remain static, except for relatively brief periods. For a decade, starting in 1910, the worth of farms on the Pacific Coast rose steadily and rapidly, assisted in the second five years by the economic conditions arising out of World War I. So rapid was the rise that by 1920 the worth had increased to nearly double (1.9 times) the 2.5-billion-dollar value of 1910. For a dozen years, starting with 1920, values held fairly firm; but a decline in 1932 and 1933 carried them down from the 4 to 5 billion dollars of the period 1920 through 1931 to between 3.2 and 3.5 billion—a new and lower level that has continued for the past decade, or up to and including 1942. Thus, in a short period of two years, owners and mortgage holders saw their investments and collateral reduced by about 25 per cent.

Farm real-estate prices tend to rise when net farm income ascends and to drop when it declines. As a rule, however, they lag somewhat behind these changes in earning power; a change must be sustained for a considerable period before its influence is reflected in the price of real estate. Figures on net farm income (for the United States) are indicative of changes. Table 1 shows this income during the past thirty-three years by specified periods. The peak years are 1919 (6.9 billion dollars) and 1942 (7.7 billion).

Because much land changed hands on a debt basis, and new values resulted in increased borrowings with an accompanying increase of the debt load on other farms, the farm-mortgage debt in California grew rapidly. From 1930 through 1934 it was four times that of the period 1910 through 1915. Even during the period 1939 through 1942 it was still about three times as much as before World War I. Expressed in figures, it increased from about 107 million dollars, as of January 1, 1910, to 638 million January 1, 1932—nearly 500 per cent. This debt gradually declined between 1933 and 1937, to a figure of 533 million. Beginning in 1938 it again rose somewhat, continuing this rise to about 548 million dollars as of January 1, 1942. A preliminary estimate of

the farm-mortgage debt (as of January 1, 1943) was placed at 526 million dollars.[2]

Neither a high farm-real-estate value nor a heavy mortgage debt is of itself necessarily bad. The pinch comes when farm commodities become so low-priced that their sale will not supply all requirements—family living, farm expenses, replacing of worn-out equipment, and obligations on debts. Economic conditions after World War I taught an impressive lesson. Those whose properties were free from debt or whose debts could be managed at depression incomes ran into far less difficulty than those who had purchased farms on a high wartime market and had borrowed substantial sums, only eventually to find themselves unable to pay even the interest. Foreclosures and bankruptcies increased alarmingly. Because of markedly reduced in-

TABLE 1
Net Farm Income in the United States, 1910 to 1942

Period	Length	Range	Average
	years	*billion dollars*	*billion dollars*
1910–1915	6	2.4 to 2.6	2.5
1916–1920	5	3.4 to 6.9	5.3
1921–1924	4	2.7 to 3.7	3.2
1925–1930	6	3.0 to 4.4	4.0
1931–1933	3	1.2 to 1.9	1.6
1934–1940	7	2.7 to 3.5	3.1
1941	1		4.7*
1942	1		7.7*

* Annual total.
Source of data:
Gross income from cash sales and government payments (but not including value of farm food, rental of dwelling, inventory changes or returns from outside investments), minus outlay for hired labor, feed, upkeep of equipment, taxes, rent, and interest on mortgages, as compiled from: United States Bureau of Agricultural Economics reports.

comes, the number of such situations in California rose from a yearly total of 12 to 15 per 1,000 farms (in 1926 through 1930) to a high of 38 per 1,000 farms (in 1933). By 1941 the figure had dropped to 12.6, and by 1942 to 6.8.

At present (1944), land prices are rising because of recent and sustained increases in the total net farm income. Buyers, therefore, must generally pay higher prices for farms than a year ago or, for that matter, during the past decade. In view of the current situation, the prudent will proceed slowly. They will study the behavior of the farm real-estate market before, during, and after World War I, since a recurrence of the economic phenomena can probably be expected.

If history repeats itself, one may anticipate another cycle of rising prices, culminating in a peak, to be followed by a sharp decline when net farm incomes descend from the present high figures. No one can predict the future of agriculture. Certainly, however, if net farm income drops lower in "normal" times after the war, land prices will eventually drop also. What lessons, then, from the years between 1914 and 1938, can perhaps be turned to good account? The cautious buyer will give heed to the following thoughts:

[2] Data from: United States Bureau of Agricultural Economics. Agricultural Finance Review. p. 7. November, 1943.

1. If he purchases on a high market, he should be prepared to face an eventual decline in the value of the property (as measured by prices of farm real estate).

2. Though farm properties bought on a rising market do permit speculative gains if resold before the end of the rise, the element of chance is ever present; one may fail to buy or to sell at the proper times. Speculation calls for much judgment, based on a knowledge of how land prices perform. If one sells too soon, the profit is reduced; if one holds too long, there may be an actual loss.

3. A buyer with relatively little cash should consider whether the farm can produce enough to meet all obligations if its earning power is reduced because of crop failures, low prices offered for farm products, continuance of high costs, or other unfavorable conditions. All debts, obviously, should be contracted only upon terms that can probably be met during years of low income. Otherwise, the purchase may eventually be lost through foreclosure or bankruptcy.

These precautions do not imply that all sales and purchases should be abandoned. Some good buys will continue to be available.

CALIFORNIA'S VARIED AGRICULTURAL PATTERN

Land actually devoted to crops in California totals about 8.4 million acres, or 8.5 per cent of the state's gross acreage of 99.6 million. An additional and substantial acreage of natural range is devoted to beef cattle and sheep.

California offers the farmer a wide variety of topographical and climatic conditions. The state extends about 775 miles north and south, varies in width from 165 to 250 miles, has several mountain ranges, lies in part along the ocean, varies in elevation from 279 feet (Death Valley) below sea level to 14,496 feet (Mt. Whitney). Farming is commercially practiced, in fact, at elevations ranging from about 200 feet below sea level (at the south end of Coachella Valley) to 5,000 feet above (in Modoc and neighboring counties) and under various topographical conditions—on level lands and steep hillsides.

Variations in climate are marked. The average annual rainfall may be less than 3 inches (in Imperial Valley) or over 100 (in parts of Humboldt County). Maximum and sustained summer temperatures rise well above 100° Fahrenheit in many parts of the state, including the Central, Imperial, Coachella, and Palo Verde valleys. In the main agricultural area of Humboldt County, the maximum is about 80°. From November to March there are practically no killing frosts in Imperial Valley, the coastal area of southern California, and coastal Humboldt County. In certain other regions the ground freezes, and snow lies on the land all winter (on the Lassen-Modoc-Siskiyou plateau at elevations of 4,000 to 5,000 feet, and in numerous mountain valleys at high elevations). Thus parts of the state can grow crops the year around; others only during 5 or 6 months.

Most of California is climatically divided into a rainy and a dry season, the latter lasting 5 to 7 months. With many crops, therefore, irrigation is a necessity. About half the farm land is under irrigation.

Several hundred different California soils have already been identified and classified. These vary from loose sands to dense adobes, with all kinds of sandy loams, loams, and silts in between. Some are many feet in depth; others are

shallow because of impervious clays, hardpan, or open gravel strata. Some contain too much alkali to be of agricultural value.

Besides natural environmental conditions, biological pests may prove a limiting factor in farming—weeds, insects, fungus and bacterial diseases, rodents, predatory birds and animals. These influences may reduce crop yield or quality, aggravate livestock mortality, or increase operating costs.

In general, the environmental conditions have resulted in a wide variety of crops, large yields of good quality, relatively favorable prices for products, but fairly high outlays for labor, land purchase, materials, taxes, and other items of capital and operation. Crawford and Hurd[3] give detailed listings of commercial farm products. Crops commercially grown in California total 214, of which 50 to 60 are outstanding. About 46 other enterprises are important—livestock, poultry and other fowls, and bees.

California agriculture is largely specialized. That is, a farm operator tends to produce mainly a single commodity—for example, milk, eggs, beef, grain, or one fruit or truck crop. General or diversified farms are represented to only a limited extent. Specialization also occurs in various localities. Thus, for example, rice is grown chiefly in the Sacramento Valley; canning peaches predominate in the Sutter County fruit belt; raisin grapes in the San Joaquin Valley; dates in the Coachella Valley (Riverside County). Walnuts are especially important in the agricultural belt comprising Los Angeles, Orange, Riverside, San Bernardino, and Santa Barbara counties; figs in Merced, Fresno, and Tulare counties; cotton in the San Joaquin Valley; avocados in San Diego and other counties of coastal southern California. On the other hand, some crops are rather widely distributed—the small grains (barley, wheat, and oats), sugar beets, grain hay, alfalfa, beans, and tomatoes.

The study by Crawford and Hurd, already cited, shows 118 distinct areas of differing types of farming in California.

Areas and years of exceptionally high returns for certain specialty crops have resulted in the subdivision of many large holdings, so that many California farms are in "normal" times too small to maintain families and to meet payment on debts.

Thus California agriculture of today contains both strong and weak elements. When the strong ones take precedence, the acquiring of a farm may prove profitable. But whenever the weak elements predominate, acquisition may prove unwise. The state is credited, nevertheless, with 132,659 farms. No two of these are exactly alike in soil types; climatic conditions; topography; pests; kinds, ages, and conditions of crops or livestock.

PREPARING A BASIS FOR SELECTING A FARM

A buyer may propose to purchase as an investment, planning not to live upon or operate his farm, but to rely upon a partner, a paid manager, or a tenant. He may intend to hold the property for a limited time and then resell it at a profit. Or he may invest for an indefinite period, with returns from farming as the primary objective. Other purchasers may expect to live upon the property, but not to operate it personally. Still others will seek both a

[3] Crawford, L. A., and E. B. Hurd. Types of farming in California analyzed by enterprises. California Agr. Exp. Sta. Bul. 654:123–26. 1941.

home and a business; these may or may not plan to do the manual or managerial work.

Purchasing a combined home and business calls for more careful judgment than buying a farm purely as an investment or (in subsistence and part-time farming) solely as a home plus some farming opportunities. Since tenure may continue for many years, or perhaps a lifetime, the purchaser must be careful to satisfy his personal wishes and needs. He pictures a certain farm or type of farm, in some special locality, in a climate deemed attractive, on suitable soils, or near congenial neighbors. So, as a preliminary to actually appraising property, one should draw up a "bill of specifications," making a list of one's desires. This crystallizing will help one to decide what is wanted and which of the available farms will most nearly meet one's requirements.

Frank answering of questions such as follow will serve to evaluate one's preferences. (A family man will change the personal pronoun to *we*).

1. Why do I wish to engage in farming? Is my object primarily investment, a home, or a home and business? Do I plan to assume none, some, or all of the manual tasks and management responsibilities?
2. Do I really want to live in the country? What proof have I?
3. Where do I hope to locate? What are my preferences regarding climate? Regarding distance from stores, doctors, schools, places of entertainment?
4. What sort of dwelling am I seeking? Must I have such conveniences as electricity, piped water, furnace?
5. What sort of neighbors do I like?
6. What do I desire to produce?
7. How big a farm should I buy?
8. What annual income do I require to take care of personal needs?
9. How much money can I command to make initial payments, to buy equipment, and to provide necessary seeds, fertilizer, water, taxes, feeds, and other operating expenditures? Am I willing to invest my savings, and possibly to pledge my future earnings, for the maintenance of a farm?
10. What knowledge of farming do I possess that I can utilize to good advantage? Have I an inquisitive mind that will cause me to delve further into agricultural lore?
11. Have I the required experience and training?
12. Have I the ability to select, direct, and supervise hired help?
13. Have I the physical strength for farming?
14. Have I the courage?
15. What are my chances to resell or lease in case of future dissatisfaction? In other words, is this property readily marketable?

APPRAISING PROPOSED PURCHASES

Since no two farms are exactly alike, the prospective buyer must make an appraisal. This may be confined to the economic aspects if the purchase is solely for investment. But if the farm is to serve as both home and business, dual appraising is required. If, in addition, the purchaser plans to operate the farm himself, he must appraise his own qualifications—his familiarity with techniques of crop and livestock production; his liking for the work; his physical strength (if he is to engage in active farming); his ability to direct hired help; his skill in marketing crops to best advantage. These various appraisals should be thorough, for the purchase of a farm may require ownership and operation for a long period, is usually associated with heavy investments of money and energy, and may necessitate borrowing, with responsibility of repayment. If the purchase should prove unwise, reselling may not be easy.

When the time comes for inspecting properties, one may refer to the items listed below, especially those that bear on one's objective. These are grouped under "personal preferences," "farming factors," and "economic aspects."

A. Personal preferences
1. Suitability of location (refer again to the questions on page 6)
The commuter will consider also
a. Distance from business, job, or profession
b. Transportation facilities
c. Traffic problems
2. Suitability of property
a. Size
b. Shape
c. Frontage
d. Soils (important to landscaping and to crops)
e. Conveniences
(1) Electricity
(2) Telephone
(3) Mail delivery
(4) Milk delivery
(5) Sidewalks
f. Freedom from floods
g. Quality of drinking water
3. Suitability of improvements
a. Dwelling
b. Buildings for livestock and similar purposes
c. Water supply
d. Drainage
e. Disposal of sewage
f. Landscaping
4. Present utilization:
Kinds and acreage (or numbers) of crops, livestock, poultry, and other farm enterprises comprising the present agricultural pattern
5. Alternative utilization:
Kinds and acreages (or numbers) of crops, livestock, poultry, and other farm enterprises that can be produced under the prevailing environmental conditions

B. Farming factors
1. Nature of soils (texture, depth, fertility, freedom from alkali, boron, or other objectionable salts)
2. Climatic conditions (length of growing season; normal, maximum, and minimum temperatures throughout the year; drying or damaging winds; fogs; annual precipitation—range and average amount, times of occurrence)
3. Elevation and topography (level, rolling, mountainous)
4. Wasteland (nature and extent)
5. Irrigation facilities (adequacy of supply; quality of water)
6. Drainage (adequacy; facilities)
7. Presence or absence of serious weeds, insects, plant and animal diseases, rodents, predatory animals
8. Kinds of crop and livestock enterprises feasible under the prevailing environmental conditions
9. Kinds and acreages of crops; kinds and numbers of livestock now being produced or carried; extent of over- or understocking
10. Ages and condition of perennial crops (tree and vine fruits, alfalfa, Ladino clover) and of livestock
11. Yields being obtained from cropland, pasture lands, livestock, poultry, and other enterprises
12. Suitability of farm layout, farmstead site, and arrangement of buildings and other facilities occupying farmstead site

13. Adequacy of required farm buildings, fences, farm lanes, stock watering places, and pumping plants
14. Adequacy of farming equipment (motive power; implements and machinery; orchard, dairy, and other departmental equipment; maintenance equipment such as plumbing and carpenter tools, farm carpenter and blacksmith shops)
15. Marketing outlets for products (availability, receptivity, distance, transportation facilities)
16. Farm help (availability, competency, reliability)

C. Economic aspects

1. Purchase price
2. Terms covering payment of mortgage
3. Total purchase price after adding interest and other charges
4. Capital needed to acquire, improve, equip, and operate
5. Available credit to supplement available cash
6. Present and potential gross earning power (as determined from quantities of products available for sale, market prices paid for products)
7. Expenses (operating and overhead) required to operate the property (including preparation and sale of products)
8. Present and potential net earning power
9. Possibilities for improving returns by better marketing or by curtailing expenses
10. Feasibility of financing purchase with available cash and credit
11. Financial justification of purchase on a basis of present and future earnings

AIDS TO APPRAISAL

To insure complete collection and full analysis of the data required in appraising a farm property for purchase, two important tests are (1) determining the net income to test earning power and (2) estimating the capital needed for proper financing of a proposed purchase, to determine the adequacy of available capital.

Testing Earning Power.—Because the purchase usually involves specific demands for family living, farm operating expenses, protection of investments, payments on debts, and (perhaps) interest returns on capital, one should consider both present and future earnings. If one buys a farm on the basis of high prices being received for its products, lower returns later on may mean an income too small to supply one's needs. Prices and costs that are relatively high in wartime tend to drop after the war.

One should test, therefore, the earning power of a proposed purchase, not only under current conditions, but in view of possible adverse changes. A useful guide is a farm financial statement or farm budget—that is, a detailed tabulation setting forth the nature, amounts, and selling prices of all commodities produced for sale, plus receipts for off-farm work done with the helpers or equipment. In addition, the required expenditure should be tabulated to include labor, seed, fertilizer, feed, marketing containers, taxes, insurance premiums, repairs, parts, shop materials, and similar disbursements, including sums to maintain motive power, farming equipment, buildings, and other capital items.

Besides crops, livestock, and livestock products, or other enterprises producing commodities for sale, another source of income is the value of farm contributions to the family living—food products (for example, milk, cream, butter, eggs; dressed poultry, lamb, veal, and other meats; honey; vegetables; fruits), fuel, use of dwellings, and other items that contribute to well-being

or enjoyment. These perquisites may add substantially to the income derived from farming. Their values should be included under income.

Personal income from nonfarm sources, and personal expenses, may or may not be included; but they are obviously important in the eventual analysis of the adequacy of the net farm income.

The difference between gross income and expenses is net income—that amount upon which a farm operator relies to recompense him for his personal and capital contributions.

Estimating Capital Requirements.—If a properly prepared financial test indicates that the income possibilities are satisfactory, the amount of capital needed should be ascertained. To embark upon a farming venture without enough capital is to court disaster. To acquire, improve, equip, and operate most farms involves substantial sums—more than the layman ordinarily appreciates.

Capital, be it understood, comprises both the available cash and the available credit. Much credit is offered agriculture in deferred payments on purchased property, livestock, implements, machinery, tools, materials, feed, seed, fertilizers, and groceries; and in loans advanced by individuals, banks, and other lending institutions.

Capital needs vary with the types of farming in different localities and with different farms. In general, other things being equal, more capital is required to finance orchards than truck crops, and truck crops than field crops. Dairying usually involves a greater outlay per animal unit than the range production of beef cattle or sheep. Likewise the amount of capital required for family living, recreation, education, and general welfare depends on the number, ages, and demands of the members of the family. If the farm is already equipped and established, then one can devote one's attention to purchase terms, operating costs, and family expenses. If, however, funds must be provided to improve land, construct buildings, fences, or other facilities, plant an orchard, alfalfa, or other perennial crop, purchase productive livestock, or provide adequate departmental equipment, one must study the capital requirements in detail. Each situation creates its individual problem.

In considering capital requirements, one should evaluate any returns or earnings that will reduce capital needs. During periods of developing farms, establishing orchards, or starting other enterprises that require substantial outlays, returns may be negligible or minor. Seldom can they meet the required expenditures for capital and operation. "Returns" in this sense are money made actually available—for example, receipts from the sale of crops, livestock, and livestock products; or payments received for services. Crops retained for seed or feed, young stock kept for breeding or replacements, cannot be used to reduce capital needs.

Sometimes immediate income is derived from special activities, such as growing intercrops between young fruit trees; temporarily producing seeds, truck crops, or cannery supplies; making jellies and canning fruit for sale; marketing one's butter and cheese; selling the milk from a cow or two, honey from a few hives of bees, or eggs from a flock of hens. In estimating such returns, one must use dependable data, based on market prices and on costs of production and sale.

In constructing a budget of capital needs, one should include all items of expense, classified by period of need, and should give credit for receipts. The budget may or may not cover capital expenditure of a personal nature. The figure must be closely calculated. Too much pyramiding of expense will do the business an injustice. Too optimistic a view may result in too low an estimate of capital requirements. Each item should be carefully scanned; figures utilized from all available sources; and every effort made to present a complete, conservative, fair, and clearly drawn statement of the probable financial situation.

When completed, a budget of capital needs will clearly set forth (1) periodic needs, (2) the period of greatest need, (3) accumulative needs as one period succeeds another, and (4) probable maximum investment at the close of the period to which the budget applies.

The feasibility of paying off capital represented by debts is predicated upon sufficient earning power to permit payments of interest and on principal. This being so, any price asked for a farm over and above its productive worth requires careful consideration: any additional sums reflecting home value or expected future enhancement in the worth of the property may make the purchase price excessive.

SEEKING FARMS

The prospective buyer may either first work up a mental concept of what he desires and then seek a farm to meet the specifications, or else look over the available offerings with an open mind and from them select the most satisfactory. Both methods have advantages even if the envisioned place is too ideal to be found. Usually an intermediate course is best—to crystallize one's wishes and meanwhile to inventory all available farms of the desired size, type, and locality. The more farms evaluated, the greater the chance of satisfaction.

Seeking a farm sometimes requires much inquiry, traveling, and patience. But if the desire is keen and well founded, the searcher will persevere for months or years until he finds the right farm.

If he does not know of a farm, he may well interview or correspond with those familiar with the territory—friends living there, officials of banks having foreclosed properties, bankers likely to be informed on local conditions, real-estate men, secretaries of national farm-loan associations, leaders of agricultural coöperatives, county agents or other government officials, including staffs of agricultural colleges.

IMPORTANCE OF SIZE OF FARM

Numerous studies stress the importance of having the farm large enough and its volume of business sufficient to meet all demands upon income.

Proper size of farm is therefore a main requirement. The size will vary with the nature of the program. An area dry-farmed to grain must be much larger than a diversified irrigated farm. In effect, farming is a one-story manufacturing plant; hence the more restricted the earning possibilities per acre, the larger must be the available area.

Size is determined largely by needed income, but partly by available capital, equipment, and personal capacity.

The amount of earnings deemed necessary is a matter for individual determination. It varies with localities, with different farms in the same locality, and with operators. No two farmers are alike in actual expenditures, standards of living, personal estimates of the worth of their manual and managerial contributions, indebtedness, and ideas of proper interest rates for the use of capital. A sum fixed as desirable by one may be deemed low by another and high by a third. What constitutes satisfactory or justifiable profits is a moot question. Operators on small farms, satisfied with financial competency, may list the following demands: (1) a sum to maintain the family in accordance with a "suitable" standard of living; (2) reimbursement for actual cash outlays on behalf of the farm; (3) sufficient money to meet payments of interest and principal on debts; and (4) a sum to maintain the farm capital intact, by providing money for replacements as these become necessary. If, however, the standard of earnings is one of maximum returns, including full payment for the operator's services, a fair return in interest for the use of capital, and a net profit over and above all expenditures, then the listing will be expanded to include (1) all operating expenses, both cash outlays and sums to offset depreciation and mortality; (2) a sum to compensate the operator fully for his labor, both manual and managerial; (3) compensation for other unpaid workers; (4) a fair rate of interest for use of his capital; and in addition (5) a rate of interest equivalent to net profits upon his capital. Figured according to the items indicated above, the standard of measure is *gross income,* compiled with sufficient completeness to cover all pertinent items, at fair rates of outlay or of need. If, however, the desired standard is made up of items other than cash operating outlays, then the standard is *net farm income over and above cash operating outlays.* If depreciation is included in operating expenses, then the standard is *net farm income.*

RENTING OR LEASING BEFORE BUYING

When possible, the prospective buyer should rent or lease the farm for a year or two before actual purchase, especially if the property is not fully known. An option to purchase should be a condition of the lease; then he can buy, if he wishes, either during or after the trial period. Sometimes the holder of such an option pays a higher rent than if the property were not thus restricted. But such added rentals, if not exorbitant, are cheap insurance against a hasty and unwise purchase. A given property, though apparently ideal, may have unsuspected weaknesses. The climate may not please, or may prove less suited to agriculture than the buyer had supposed. There may be serious weeds, insects, or diseases. The type of agriculture may prove undesirable, the farm too small, the cost of operating too high, the community uncongenial. A farm can be no more profitable than its greatest limiting factor. One should therefore fully appraise any farm before actual purchase.

A tryout is especially desirable for an older man who wishes to take up actual farm work after a lifetime of sedentary occupation. The chances may be against such a man's successfully engaging in the heavier duties involved in producing and harvesting crops, such as driving tractor; pitching hay; handling plows, harrows, and other implements; operating a combine; mowing; stacking hay; thinning fruit; picking fruit; chopping cotton; picking

cotton; milking; riding range. Tasks of lesser physical demands such as furrow irrigating, pruning, hoeing, caring for poultry or hogs, feeding small flocks of sheep or a few beef steers, may not prove too difficult after one has gained experience and hardened muscles. Most types of farming, however, call for considerable physical effort. Moreover, there is usually a knack involved, which is developed only by experience. Apparently simple tasks such as pruning, thinning fruit, pitching hay, roping cattle, inoculating hogs, shearing sheep, and picking cotton require more skill than the inexperienced imagine. Skills can be acquired if one has the requisite physical stamina, but only at the expense of time and sore muscles. A trial period is particularly suggested for those whose profession or occupation is not connected with farming. Sometimes a novice can buy a small, readily accessible place to spend his week ends in part-time farming, or to live upon while commuting to some other business. This trial will reveal to what extent the family likes country life, what tasks its members can perform, and how much satisfaction results from actual farming. Skilled manual workers (for example, dentists, musicians, technicians) may find that labor with hoes, pitchforks, spading forks, and other implements will stiffen their hands and muscles at the expense of professional requirements.

PURCHASING TO LEASE

Farms purchased as an investment and relegated to tenants can create difficult problems. Leasing or renting is a common practice in California, about one farm in five being so operated. A successful leasing arrangement involves several considerations. The owner must be fully familiar with his property, its possibilities and limitations, and with the essential farming and business techniques related to agriculture. The landlord must know where to find and how to select desirable tenants. He must possess ability to supervise their work. He must understand various leasing considerations, including prevailing cash, share, and sliding-scale methods of leasing, length of time of leasing, contributions by landlord and tenant, provisions required to safeguard the interests of both, and proper form of leases.[4]

Tenancy is a possible method of handling properties that otherwise would not or could not be farmed to advantage; a part solution of difficult labor problems; a means of increasing one's income. It may involve disadvantages: poorer farming when tenants are in charge; less interest in community affairs than is ordinarily exercised by permanent residents; the establishing on the land of persons deemed undesirable for social or other reasons; an added drain upon the farm to create incomes sufficient to compensate both parties.

When leasing must be practiced, more of the advantages may be gained and more of the disadvantages eliminated if one carefully considers (1) what constitutes a basis of rental fair to both parties; (2) what safeguards shall be set up and insisted upon; and (3) what form of lease will best provide for and enforce these safeguards. There must also be a conscientious and consistent effort (1) to seek, obtain, and hold good tenants; (2) to supervise their farming and other activities frankly and freely.

[4] For various details, see: Adams, R. L., and William Smith, Jr. Farm tenancy in California and methods of leasing. California Agr. Exp. Sta. Bul. 655:1–119. 1941.

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